

Message Text

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60

ORIGIN NEA-12

INFO OCT-01 ADP-00 PM-07 L-03 NSC-10 CIAE-00 INR-10

NSAE-00 RSC-01 SSO-00 NSCE-00 INRE-00 SS-15 EB-11

COME-00 OMB-01 IGA-02 TRSE-00 /073 R

DRAFTED BY DOD/DSAA:DGRANDPRE:NEA/ARP:FMDICKMAN:BDF

8/3/73 EXT 22647

APPROVED BY NEA:ALATHERTON

DOD/ISA/NESA - MR. BLITGEN

DCAA - MR. VICK

DSAA - MR. HOENIG

DOD/ISA/NESA - MR. SCHAEFER

PM/MAS:DFARNHAM

DSAA - ADM. PEET

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O R 032320Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

USCINCEUR

INFO JCS

DSA DCAA CAMERON STATION

DA

C O N F I D E N T I A L STATE 153863

E.O. 11652: GDS

TAGS: MASS, SA

SUBJ: IMPROVED HAWK MISSILE CONTRACT

REF: (A) JIDDA 3085; (B) JIDDA 3194; (C) JIDDA 3265

JOINT STATE/DEFENSE

1. IN AN EFFORT TO ASSIST PRINCE SULTAN IN HIS NEGOTIATIONS WITH RAYTHEON FOR THE IMPROVED HAWK, USG IS PREPARED TO PROVIDE AUDIT SERVICES THROUGH THE DEFENSE CONTRACT AUDIT AGENCY (DCAA). SUCH SERVICES WOULD INCLUDE BOTH PRE-CONTRACT REVIEW AND POST-CONTRACT AUDITS FOR GOVERNMENT TO U.S. INDUSTRY ARRANGEMENTS. SUBJECT TO SAG INTEREST IN THIS PROPOSAL, DOD IS PREPARED TO PROVIDE FURTHER DETAILS
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OF THIS SERVICE.

2. WHILE WE WOULD PREFER NOT BECOMING INVOLVED IN NEGOTIATIONS ALREADY IN PROGRESS BETWEEN RAYTHEON AND SAG, WE BELIEVE WE MUST BE RESPONSIVE TO PRINCE SULTAN'S REQUEST FOR ASSISTANCE. THE SERVICES PROVIDED IN PARAGRAPH 2(A) OF PROPOSED AUDIT AGREEMENT ON A REIMBURSABLE BASIS AS STATED IN PARAGRAPH 6(B) OF AGREEMENT SHOULD PROVIDE THE SAG WITH ASSURANCES AS TO CORRECTNESS OF THEIR CONTRACT WITH RAYTHEON.

3. AUDIT AGREEMENTS OF THIS TYPE HAVE BEEN USED IN THE PAST COVERING MAJOR PROJECTS TO BE NEGOTIATED ON A FOREIGN GOVERNMENT TO U.S. INDUSTRY BASIS AND HAVE PROVED ENTIRELY SATISFACTORY. IN ANTICIPATION THAT THIS ARRANGEMENT MAY ALSO BE ACCEPTABLE TO PRINCE SULTAN, WE HAVE ADVISED RAYTHEON OF GENERAL CONTENTS OF THIS MESSAGE. EMBASSY AUTHORIZED INFORM RAYTHEON REPRESENTATIVE IN JIDDA OF PROPOSED AUDIT SERVICE.

4. AN UNCLASSIFIED DRAFT FORMAT OF AN AUDIT AGREEMENT IS BEING TRANSMITTED SEPTEL. IT IS BROAD AND GENERAL, AND MAY HAVE TO BE TAILORED TO COVER SAG SCOPE AND SPECIFICATIONS. ROGERS

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